

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 1065 - SB 1507**

March 31, 2011

**SUMMARY OF BILL:** Defines “adverse decision,” “telemedicine services,” and “utilization review.” Requires all health insurance policies issued, delivered, or renewed on or after January 1, 2012, provide coverage for telemedicine services when the services are appropriately provided. Prohibits an insurer from excluding a service for coverage solely because the service is provided through telemedicine. Subjects benefits to annual deductibles and co-insurance as long as it is no greater than those established for other similar benefits within the policy or contract and prohibits an annual or lifetime dollar maximum on coverage for telemedicine services. Prohibits the Bureau of TennCare from denying coverage on the basis that the coverage is provided through telemedicine if the health care service would be covered were it provided through in-person consultation between the recipient and a health care provider. Requires telemedicine services to be provided as a home health benefit for individuals with chronic conditions on or after January 1, 2012.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – Net Impact – Exceeds \$33,800**

**Increase Local Expenditures – Not Significant**

**Increase Federal Expenditures – Net Impact – Exceeds - \$66,200**

**Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111): Such legislation would not result in a significant net increase in the cost of health insurance premiums for plans that do not currently offer benefits for telemedicine.**

**Assumptions:**

- The Department of Commerce and Insurance will be responsible for regulating the provisions of the bill which will be accomplished through the review and approval of forms, policies, certificates, and contracts to ensure compliance. Any cost can be accommodated within existing resources without an increased appropriation or reduced reversion.
- According to the Bureau of TennCare, the provisions of the bill will have a large impact on services such as home health that may rely on remote patient monitoring. While there will be some increased costs in infrastructure, there could also be some offsetting

**HB 1065 - SB 1507**

savings for the cost of care by not having in-person consultations and diagnosis. The bill restricts the program's ability to deny reimbursement for claims which will result in increased costs. While a precise fiscal impact is difficult to determine, it is reasonably estimated to result in a net increase in expenditures exceeding \$100,000.

- Of the \$100,000, state funds will be \$33,767 at a rate of 33.767 percent and federal funds will be \$66,233 at a 66.233 percent match rate.
- According to the Department of Finance and Administration, the state sponsored public sector plans prohibit the payment of benefits for telephone consultations, but do not specifically exclude telemedicine activities as defined by the legislation. Both providers provide for the determination of specific telemedicine services as medically necessary and eligible for consideration as a claim and a review of claims data indicated a number of claims payments for telemedicine services by the options administered.
- Since the provisions of the bill require that telemedicine services benefits be offered at the same level as similar benefits, any significant increase in costs will be offset by a similar decrease in costs for similar benefits that will not be received by enrollees. While an exact amount cannot be determined, it is reasonably estimated that the net impact to the state sponsored public sector plans will not be significant.
- Local governments that choose not to opt into the state sponsored plans will incur a similar impact as the state sponsored plans result in a not significant net impact to local expenditures.
- Private health insurance impact: Telemedicine is a growing trend. Several health insurance carriers are beginning to offer coverage for some services through telemedicine, especially when determined to be medically necessary. While there are increased costs for establishing telemedicine infrastructures, processes, and quality control mechanisms, there are also some reduced costs for the actual costs of the services being lower. The bill mandates that telemedicine benefits coverage be consistent with coverage for similar services that are provided through in-person consultation. While health plans may incur increased costs in some areas, there will be other areas that costs will decrease. The overall net impact to health insurance premiums is estimated to be not significant.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/kml